

VZCZCXYZ0009
PP RUEHWEB

DE RUEHKB #1049/01 1840909
ZNR UUUUU ZZH (CCY TEXT ADDDOEFF WSE8272)
P 030909Z JUL 07
FM AMEMBASSY KHARTOUM
TO SECSTATE WASHDC PRIORITY 7781

UNCLAS KHARTOUM 001049

SIPDIS

SENSITIVE
SIPDIS

DEPT FOR AF/SPG, AF/EPS, EB/IFD, AND EB/ESC
DEPT PLS PASS USAID FOR AFR, AND ALSO PASS USAID

C O R R E C T E D C O P Y (TEXT)

E.O. 12958: N/A
TAGS: [PREL](#) [PGOV](#) [EFIN](#) [ECON](#) [EAID](#) [SU](#)
SUBJECT: OUT WITH THE DINAR, IN WITH THE POUND

¶1. (SBU) SUMMARY: On June 30, the Central Bank of Sudan came one step closer to converting its currency, announcing that the dinar is now invalid in commercial transactions. Although the general public can still trade in dinars at banks until September 1 of this year, vendors are no longer obligated to accept the dinar. While widely regarded as a success, there have been a number of problems with the currency upgrade, which include: long and restless lines at banks; minor skirmishes between customers and shopkeepers who have refused to accept the dinar; the presence of counterfeit pounds; and vendors' acceptance of dinars and other regional currencies after the 30th of June. Despite these problems, the currency upgrade appears to be on track, and could represent one of the first and most tangible accomplishments of the Comprehensive Peace Agreement (CPA). More importantly, this one currency for all of Sudan carries not only the symbolic power of money, but also embodies the unity of Sudan. END SUMMARY.

¶2. (U) The Wealth Sharing Agreement of the CPA stipulates (Section 14.9) that the Central Bank of Sudan "...shall adopt a program to issue a new currency as soon as is practical during the Interim Period." The Republican Decree #275 of 2006 and Article 19 of the charter of the Central Bank of Sudan provided further support for implementing these changes. Since January of 2007, the Central Bank of Sudan has gradually removed dinars from circulation and introduced different denominations of the pound, beginning with one and five pound notes and ending with the largest bills.

COUNTERFEITING

¶3. (U) During this vulnerable transition period, there have been reports of attempts to counterfeit the pound. Being unfamiliar with the new currency, vendors and consumers are particularly susceptible to accept counterfeit bills. The Central Bank of Sudan has not released estimates on the amount of counterfeited currency. However, one article from the Sudan Tribune from April 2007 noted that authorities in Rumbek, Marana, and other southern towns were struggling to identify counterfeit dinars at trading stations, and to a lesser extent new counterfeit pounds. Despite these reports, according to experts from the International Monetary Fund, the new currency is reasonably secure from counterfeiting. The bills include the latest technology including two metallic security threads in every bill, watermarks, and color shifting ink.

POUNDINGS AND LINES

¶4. (U) On the first and second of July, most Sudanese newspapers carried stories about the June 30 cutoff for transactions of the dinar. The Sudanese English language "The Citizen Times" reported

that fighting broke out in Bentiu when a vendor dutifully denied pounds as legal tender. The same article also reported that several hundred customers lined up outside the Bank of Southern Sudan on Saturday, waiting to convert dinars and foreign currency for the new Sudanese pound. Additionally, on June 19, the Arabic daily Al-Sudani noted that many banks outside of Khartoum and Juba did not receive a sufficient amount of new currency for the conversion. Observers also noted that in addition to this shortage, the number of citizens participating in the money exchange did not meet expectations. The article urged the central bank to assume a more proactive role in exchanging currency, adding that commercial banks are not helping the effort.

DINARS STILL USED?

¶5. (U) Regardless of the June 30 cut-off date for the dinar, it appears as though the notes are still being accepted as valid currency in commercial transactions. Two and three days after the cutoff, locally engaged staff reported witnessing and partaking in transactions in dinars. Furthermore, the acting Assistant Governor and Director for Administration and Finance for the Bank of Southern Sudan, Mathian Ajing Jupur, warned the public against using dinars on the black market. He added that some money changers have attempted to profit from the confusion by providing a lower exchange rate than the Central Bank of Sudan. In Southern Sudan, other regional currencies such as the Kenyan and Ugandan shillings, the Ethiopian Birr, and the Eritrean Nagfa continue to be used.

SYMBOL OF UNITY

¶6. (U) From its initial project proposal at the Multi Donors Trust Fund, the new Sudanese pound has been envisioned as a new symbol of unity. The languages, art, and other elements included on the bills were intended to reflect the cultural and geographic diversity of Sudan. Containing architectural landmarks, industrial projects, and nature scenes, the bills intentionally depict scenes from both the north and the south. Most Sudanese have responded favorably to the initiative, as many southern Sudanese harbored negative feelings towards the northern centric and Arabic laden dinar. As Anthony Lino Manrana, South Sudan's minister for commerce, trade and supply, stated in an April 19 Sudan Tribune article, "We believe the dinar does not represent the Sudanese people, it was forced on the people of the south."

¶7. (U) Two more important dates for currency reform will follow. On August 1, patrons will no longer be able to trade in currency through commercial banks, restricted to replacing all currency at the Central Bank of Sudan. On September 1 the dinar will no longer be considered legal tender, null and void in all of Sudan. Dinar coins will continue to be accepted until the end of 2007. COMMENT: While there have been difficulties in this currency conversion, overall the project remains largely on schedule and should be celebrated as a step towards the further integration, development, and stabilization of Sudan. END COMMENT.
FERNANDEZ